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Message Text

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DRAFTED BY ARA/AND/B - MR. TOYRYLA:LEE
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ARA/RPP - MR. FINAN
P - MR. TICE
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P 210940Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY LA PAZ PRIORITY

C O N F I D E N T I A L STATE 128540

E.O. 11652: GDS

TAGS: OVIP, BL

SUBJECT: DEPARTMENT BRIEFING MATERIAL FOR NEWSOM VISIT

1. THE FOLLOWING HAS BEEN PROVIDED TO UNDER SECRETARY NEWSOM IN PREPARATION FOR HIS VISIT TO LA PAZ MAY 25-26.

2. QUOTE: BOLIVIA IS THE SECOND POOREST COUNTRY IN LATIN AMERICA. IT IS LANDLOCKED, HAS A DIFFICULT GEOGRAPHY AND IS SPARSELY POPULATED WITH APPROXIMATELY 5 MILLION INHABITANTS. CURRENT FIGURES SHOW PER CAPITA INCOME TO BE $290 (WORLD BANK FIGURES TO BE PUBLISHED THIS SUMMER WILL SHOW A HIGHER INCOME BUT THE SAME RELATIVE POSI-
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TION). THE ESTIMATED LITERACY RATE IS 26 AND LIFE EXPECTANCY IS AROUND 50 YEARS. ALMOST TWO-THIRDS OF THE POPULATION CONSISTS OF INDIANS, THE VAST MAJORITY OF WHOM ARE SUBSISTENCE LEVEL FARMERS CONCENTRATED IN THE BARREN HIGHLAND AREAS.

BOLIVIA HAS HAD A TURBULENT HISTORY. MILITARY COUPS

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HAVE BEEN THE RULE OVER THE LONG RUN AND THERE HAVE BEEN MORE GOVERNMENTS THAN YEARS OF INDEPENDENCE. IN 1952 BOLIVIA EXPERIENCED A PROFOUND SOCIO-POLITICAL REVOLUTION WHICH INTRODUCED WIDESPREAD LAND REFORM,

UNIVERSAL SUFFRAGE, AND NATIONALIZATION OF THE PRINCIPAL MEANS OF PRODUCTION. THE BOLIVIAN REVOLUTION IS POPULARLY CONSIDERED TO BE THE SECOND (AFTER THE MEXICAN) "REAL" REVOLUTION IN LATIN AMERICA SINCE THE EXPULSION OF THE SPANIARDS IN THE LAST CENTURY. IN THE LATE SIXTIES THE COUNTRY RETURNED TO COUPS AND COUNTER COUPS UNTIL 1971 WHEN GENERAL HUGO BANZER (THE CURRENT PRESIDENT) TOOK OVER THE GOVERNMENT AND BROUGHT ABOUT A RETURN TO RELATIVE POLITICAL AND ECONOMIC STABILITY.

BANZER HAS PRESIDED OVER AN AUTHORITARIAN REGIME, WHICH UNTIL LATE LAST YEAR WAS CRITICIZED FOR VIOLATIONS OF BOTH INDIVIDUAL AND POLITICAL HUMAN RIGHTS. BUT, BEGINNING IN NOVEMBER, 1977, DRAMATIC POSITIVE STEPS HAVE BEEN TAKEN TO IMPROVE HUMAN RIGHTS PRACTICES AND RETURN BOLIVIA TO DEMOCRATIC RULE. ALL POLITICAL PRISONERS HAVE BEEN RELEASED, EXILES HAVE BEEN INVITED TO RETURN HOME, POLITICAL PARTIES AND LABOR UNIONS MAY OPERATE WITHOUT RESTRICTIONS, WORKERS DISMISSED FOR PROSCRIBED POLITICAL ACTIVITY ARE BEING REINSTATED, AND PRESIDENTIAL AND CONGRESSIONAL ELECTIONS ARE SCHEDULED
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FOR JULY 9 OF THIS YEAR (THESE WILL BE THE FIRST NATIONAL ELECTIONS SINCE 1966).

IT IS EXPECTED THAT THE WINNER OF THE PRESIDENTIAL ELECTION WILL BE FORMER INTERIOR MINISTER AND AIR FORCE COMMANDER GENERAL JUAN PEREDA. HE IS NOT A CHARISMATIC LEADER BUT IS CONSIDERED TO BE A GOOD ADMINISTRATOR. HE IS BANZER'S PREFERRED CANDIDATE AND IS BACKED BY A COALITION OF CENTER-RIGHT POLITICAL GROUPS. HE CAN BE EXPECTED TO CARRY ON BASIC BANZER POLICIES OF ECONOMIC STABILITY AND GROWTH AT HOME AND SUBSTANTIALLY PRO-US ATTITUDES IN THE INTERNATIONAL ARENA. PEREDA'S PRIN-CIPAL OPPONENT IS HERNAN SILES, AN AGING FORMER PRESI-DENT WHO IS BACKED BY A LEFTIST COALITION AND WHO STILL COMMANDS SUPPORT AMONG THOSE WHO REMEMBER HIM AS ONE OF THE TWO PRINCIPAL LEADERS OF THE 1952 REVOLUTION.

THE STABILITY BROUGHT ABOUT BY BANZER HAS HAD A SALUTARY EFFECT ON THE EVER FRAGILE BOLIVIAN ECONOMY. SINCE 197L THERE HAS BEEN AVERAGE REAL GROWTH OF ABOUT 6 PER YEAR AND RELATIVELY LOW INFLATION FOR A LATIN AMERICAN COUNTRY. DURING THE PERIOD BOLIVIA ALSO

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CHANGED ITS IMAGE IN THE INTERNATIONAL MONEY MARKETS FROM A VIRTUALLY BANKRUPT COUNTRY TO A DESIRABLE BORROWER. MORE RECENTLY, HOWEVER, SOME ECONOMIC STRAINS HAVE BEGUN TO SHOW. WHEN ELECTIONS WERE ANNOUNCED LAST

NOVEMBER THE RESULTING UNCERTAINTY PROMPTED SOME CAPITAL FLIGHT. THE LIFTING OF RESTRICTIONS ON LABOR ACTIVITY HAS RECENTLY PERMITTED WORKERS TO PRESS FOR WAGE INCREASES, ESPECIALLY IN THE PUBLIC SECTOR WHICH MAKES UP 75 OF THE BOLIVIAN ECONOMY. BOLIVIA WILL FACE A SERIOUS, BUT NOT INSOLUBLE, BALANCE OF PAYMENTS PROBLEM IN 1978. IN EARLY MARCH, LEGISLATION WAS INTRODUCED IN THE US CONGRESS TO AUTHORIZE THE SALE OF UP TO 45,000 TONS OF TIN FROM THE GSA STRATEGIC STOCKPILE. THIS WAS CONFIDENTIAL

A SEVERE PSYCHOLOGICAL BLOW TO BOLIVIANS WHO DEPEND ON TIN FOR ALMOST 50 OF THEIR EXPORTS AND WHO ARE HIGH COST PRODUCERS.

US-BOLIVIA RELATIONS HAVE TRADITIONALLY BEEN FRIENDLY. WE ARE BOLIVIA'S SINGLE MOST IMPORTANT TRADING PARTNER. THE US HAS PROVIDED LARGE AMOUNTS OF ECONOMIC AID OVER THE PAST 25 YEARS, AND THE LEVEL FOR FY 1978 WILL BE APPROXIMATELY $50 MILLION. WE ARE NOW NEGOTIATING A 5 YEAR $73 MILLION PL 480 TITLE III PROGRAM FOR BOLIVIA.

MILITARY-TO-MILITARY RELATIONSHIPS HAVE ALSO BEEN CLOSE, AN IMPORTANT FACTOR IN A COUNTRY WERE THE MILITARY HAVE BEEN SUCH AN IMPORTANT POLITICAL ELEMENT. TH: US IS BOLIVIA'S PREFERRED ARMS SUPPLIER, ALTHOUGH TRANSFERS OF MILITARY EQUIPMENT RECENTLY HAVE BEEN REDUCED SHARPLY, PARTLY BECAUSE OF BOLIVIAN CUTBACKS IN ACQUISITIONS AND PARTLY BECAUSE OF THE TERMINATION OF THE MILITARY ASSISTANCE GRANT PROGRAM TO BOLIVIA. AUTHORIZED FMS CREDITS FOR BOLIVIA IN FY 78 WILL BE $14 MILLION AND THE BUDGET REQUEST FOR FY 79 IS FOR $6 MILLION. FMS CREDITS HAVE BEEN USED IN RECENT YEARS MORE FOR NATION-BUILDING EQUIPMENT THEN FOR LETHAL EQUIPMENT.

BOLIVIA IS A PRINCIPAL SOURCE OF COCAINE. THE RAW MATERIAL, COCA, IS A TRADITIONAL AND LEGAL CROP, MAKING COCAINE TRAFFIC INTERDICTION DIFFICULT. THE GOB IS COOPERATING WITH US TO COMBAT THE ILLEGAL TRAFFICKING. WE ARE PROVIDING FUNDS FOR THE EFFORT AND THE BOLIVIANS HAVE SUBSTANTIALLY BEEFED UP THEIR ENFORCEMENT CAPABILITIES OVER A SHORT PERIOD OF TIME. WE ARE ALSO EMBARKED ON A PROGRAM TO PROVIDE ECONOMIC DEVELOPMENT

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TO THE COCA GROWING AREAS AND INTRODUCE ALTERNATE CROPS TO LURE FARMERS AWAY FROM COCA AT THE SAME TIME THAT THE GOB IMPOSES LEGAL RESTRICTIONS ON COCA CULTIVATION. THIS PROGRAM HAS BEEN SLOW TO GET UNDERWAY.

THE AVAILABILITY OF COCAINE IN BOLIVIA HAS ALSO RESULTED

IN ARESTS OF NUMEROUS AMERICAN CITIZENS ON DRUG CHARGES. DIFFICULTIES ASSOCIATED WITH THE LOCAL JUDICIAL SYSTEM HAVE CREATED PROBLEMS. HOWEVER, SOME HAVE BEEN SOLVED AND A SOON-TO-BE-IMPLEMENTED PRISONER EXCHANGE TREATY SHOULD SOLVE OTHERS.

BEYOND ITS RELATIONS WITH THE US, BOLIVIA'S PRINCIPAL CONCERN IN FOREIGN AFFAIRS IS ITS DESIRE TO REGAIN A SOVEREIGN CORRIDOR TO THE PACIFIC THROUGH CHILE TO END ITS LANDLOCKED STATUS AND TO REPLACE, IN PART, THE COASTAL LAND LOST TO CHILE ALMOST A HUNDRED YEARS AGO.

NARCOTICS. WE ARE COMMITTED TO SUPPLY A SUBSTANTIAL AMOUNT OF AID FUNDS (UP TO $45 MILLION OVER 5 YEARS) TO PROVIDE RURAL DEVELOPMENT IN THE COCA GROWING REGIONS -- THE YUNGAS AND CHAPARE. THE PURPOSE OF THIS ASSISTANCE IS TO OFF SET THE DELETERIOUS EFFECTS ON THE FARMERS OF A PROJECTED BOLIVIAN GOVERNMENT-ENFORCED REDUCTION IN COCA CULTIVATION. AS A FIRST STEP A REGISTRY OF COCA GROWERS WAS COMPLETED LAST OCTOBER, FOLLOWED IN NO-VEMBER BY A DECREE BANNING NEW COCA PLANTING ON UN-REGISTERED LAND. OUT OF FEAR OF A POLITICAL BACKLASH FROM FARMERS DURING THIS PRE-ELECTION PERIOD, THIS BAN HAS NOT BEEN ENFORCED AND REPORTS INDICATE A SIGNIFICANT RISE IN THE PRODUCTION OF COCA IN SOME AREAS. IT IS OUR VIEW THAT WE CANNOT FOLLOW THROUGH ON OUR AID COMMITMENT UNLESS THE GOVERNMENT, AT A MINIMUM, TAKES STEPS TO HOLD COCA CULTIVATION TO ITS PRESENT LEVELS.

POINTS TO BE MADE:

1. IF THE COCAINE PROBLEM IS RAISED BY THE BOLIVIANS, YOU SHOULD INDICATE OUR INTENTION TO MOVE AHEAD ON THE DEVELOPMENT PROGRAM IN COCA GROWING AREAS, BUT WE FIRST WISH TO SEE THE BOLIVIAN GOVERNMENT TAKE STEPS TOWARD IMPLEMENTING ITS DECREE OF NOVEMBER 30, 1977, BANNING

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COCA CULTIVATION ON UNREGISTERED LAND.

2. YOU SHOULD INDICATE OUR GENERAL SATISFACTION WITH THE GOB'S NARCOTICS INTERDICTION ACTIVITIES AIMED AT STEMMING THE FLOW OF COCAINE FROM BOLIVIA. YOU SHOULD EXPRESS THE HOPE THAT THE GOVERNMENT WILL SOON BE ABLE TO MOVE EFFECTIVELY AGAINST MAJOR VIOLATORS WHO ORGANIZE THE DRUG TRAFFIC IN BOLIVIA (SPECIFICALLY THOSE ORGANIZATIONS CENTERED IN THE CITY OF SANTA CRUZ AND GENERALLY REFERRED TO AS THE SANTA CRUZ MAFIA).

RETURN TO DEMOCRACY. EARLY LAST YEAR, THE GOB SET FORTH

PLANS FOR A STEP-BY-STEP RETURN TO DEMOCRATIC RULE CULMINATING IN ELECTIONS IN 1980. IN NOVEMBER, 1977, PRESIDENT BANZER SURPRISINGLY ANNOUNCED PRESIDENTIAL AND CONGRESSIONAL ELECTIONS FOR JULY, 1978, AND THIS WAS FOLLOWED BY A SERIES OF STEPS LIFTING RESTRICTIONS ON POLITICAL ACTIVITY. A CONFIDENTIAL ANALYSIS OF THE MOOD OF THE NATION APPARENTLY PROMPTED THE MORE RAPID PACE. EARLY ON, BANZER WAS EXPECTED TO BE A CANDIDATE FOR PRESIDENT, BUT HE DID NOT RUN AFTER IT BECAME APPARENT THAT HE HAD NOT GAINED SUFFICIENT POLITICAL BACKING. BANZER'S PROTEGE, JUAN PEREDA, IS NOW THE GOVERNMENT PREFERRED CANDIDATE. AT FIRST, BANZER HAD TO CAJOLE THE MILITARY INTO ACCEPTING JULY, 1978, CONFIDENTIAL

ELECTIONS. MORE RECENTLY, IT HAS BEEN REPORTED THAT IT IS BANZER WHO NOW WANTS TO BACK OFF, BUT THE MILITARY HAVE DECIDED THAT EARLY ELECTIONS ARE PREFERABLE TO ALLOWING BANZER TO REMAIN IN POWER FOR A LONGER PERIOD. IN THE MEANTIME, WE HAVE INDICATED TO THE BOLIVIANS THAT WE VIEW THE ELECTIONS AS A POSITIVE DEVELOPMENT.

TALKING POINTS:

YOU SHOULD EXPRESS US HOPE THAT THE BOLIVIANS' PLANS FOR RETURN TO DEMOCRACY ARE SUCCESSFUL.

ASSURE THE BOLIVIANS THAT WE LOOK FORWARD TO A CLOSE AND FRUITFUL ASSOCIATION WITH THE NEW GOVERNMENT AND STAND READY, AS ALWAYS, TO LEND WHATEVER ASSISTANCE WE APPROPRIATELY CAN TO NATION-BUILDING PLANS AND PROGRAMS.

AMERICAN PRISONERS. LAST YEAR AT THIS TIME 33 AMERICANS WERE HELD IN BOLIVIAN PRISONS ON DRUG CHARGES. MAINLY BECAUSE OF A SLOW AND INEFFECTIVE LOCAL JUDICIAL SYSTEM, THEIR CASES SAW NO MOVEMENT ALTHOUGH MANY HAD BEEN INCARCERATED FOR WELL OVER A YEAR. MEANWHILE, THE

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PRISONERS' RELATIVES AND CONGRESSMEN VIGOROUSLY DEMANDED
DEPARTMENT ACTION TO FREE THE PRISONERS OR AT LEAST
MOVE THEIR CASES ALONG AND IMPROVE THEIR LIVING CONDI-
TIONS. EMBASSY PRESSURE ON THE GOB BROUGHT ABOUT SOME
SPEEDIER TRIALS, RESULTING IN THE EVENTUAL RELEASE OF
16 AMERICANS AND FINAL SENTENCING OF SEVERAL MORE WHO
ARE NOW SERVING THEIR TERMS. A NEW WORLD-WIDE PROGRAM
OF DIETARY SUPPLEMENTS AND FUNDS FOR EMERGENCY MEDICAL
CARE ALSO TOOK EFFECT. A PRISONER EXCHANGE TREATY HAS
BEEN CONCLUDED AND IS NOW AWAITING RATIFICATION BY BOTH
GOVERNMENTS. CASES OF RECENT ARRESTEES APPEAR TO BE

NOW ROUTINELY REPORTED. HOWEVE, WE REMAIN CONCERNED

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ABOUT JUDICIAL FOOT-DRAGGING ON SEVERAL OLDER CASES AND
THE RELUCTANCE BY SOME JUDGES TO PERMIT TRANSFER TO
CLINICS OF PRISONERS WHO NEED DRUG-RELATED REHABILI-
TATION.

TALKING POINTS:

WHILE WE URGE VIGOROUS ACTION AGAINST NARCOTICS VIOLATORS,
WE ARE LED BY CONGRESSIONAL MANDATE AND CONSCIENCE TO
CARE FOR AMERICANS IMPRISONED OVERSEAS. THESE TWO
POSITIONS ARE NOT INCOMPATIBLE. IN THIS REGARD, WE ARE
CONCERNED OVER JUDICIAL DELAYS IN SOME DRUG CASES
INVOLVING AMERICANS. WE ALSO DESIRE THAT PRISONERS IN

NEED OF REHABILITATION ARE PROPERLY CARED FOR IN
FACILITIES THAT ARE AVAILABLE IN BOLIVIA OR THAT THESE
INDIVIDUALS ARE RETURNED TO THE US FOR TREATMENT AS
SOON AS POSSIBLE.

WE ARE LOOKING FORWARD TO PARTICIPATING IN A PRISONER
EXCHANGE WITH THE GOB AND HOPE FOR EARLY BOLIVIAN
RATIFICATION OF THE TREATY. THE US SENATE HAS AGREED
TO ACCELERATE OUR RATIFICATION PROCESS AND WILL HOLD
COMMITTEE HEARINGS ON MAY 25.

MILITARY RELATIONS. US-BOLIVIAN MILITARY RELATIONS ARE
GOOD. HOWEVER, SOME BOLIVIAN MILITARY LEADERS ARE
BECOMING CONCERNED OVER THE RELIABILITY OF THE US AS A
SUPPLIER OF MILITARY EQUIPMENT. THE MAP GRANT PROGRAM
WAS TERMINATED AT THE END OF FY 1976, AND OUR MAAG WAS
REDUCED LAST YEAR FROM OVER 30 MEMBERS TO SIX. FMS
CREDITS IN FY 1979 WILL BE REDUCED TO $6 MILLION FROM
$14 MILLION IN FY 1978. MOREOVER, EARLIER HUMAN RIGHTS
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PROBLEMS HAVE LED SOME DEPARTMENT OFFICIALS TO CONTINUE THEIR RELUCTANCE TO APPROVE EVEN MINOR ARMS TRANSFERS DESPITE IMPROVEMENTS IN HUMAN RIGHTS PRACTICES. UP TO NOW ALL THIS HAS NOT CREATED SERIOUS PROBLEMS SINCE THE BANZER GOVERNMENT HAS KEPT A TIGHT LID ON MILITARY EQUIPMENT ACQUISITIONS AND HAS EMPHASIZED PURCHASES OF NATION-BUILDING ITEMS WHEN PURSE STRINGS WERE RELEASED AT ALL. HOWEVER, WE MAY ENCOUNTER PROBLEMS IN THE NEAR FUTURE. BOLIVIA WILL PROBABLY WANT TO UPDATE SOME OF ITS OLD EQUIPMENT DURING THE NEXT FEW YEARS. IF FMS CREDITS ARE KEPT AT LOW LEVELS, IF TERMS CANNOT BE SOFTENED, AND IF WE SHOW RELUCTANCE TO APPROVE TRANSFERS, THE BOLIVIANS WILL INCREASINGLY LOOK TO OTHER SUPPLIERS.

LOCAL MILITARY IN TERMS OF DOCTRINE AND THE NATURE OF EQUIPMENT ACQUISITIONS. AS LONG AS WE MAINTAIN OUR IN-FLUENCE, WE WOULD LIKE TO SEE CONTINUED EMPHASIS ON MILITARY INVOLVEMENT IN CIVIC ACTION AND OTHER NATION-BUILDING ACTIVITIES.

TALKING POINTS (IF ASKED)

WE BELIEVE THE BOLIVIAN MILITARY'S ROLE IN CIVIC ACTION AND OTHER NATION-BUILDING ACTIVITIES HAS BEEN ENOR-MOUSLY BENEFICIAL TO THE COUNTRY, AND WE HOPE THIS FOCUS WILL BE MAINTAINED.

THE USG IS PREPARED TO REVIEW ALL REASONABLE REQUESTS FOR ARMS TRANSFERS WITH A SYMPATHETIC EYE, BUT WE MUST ALSO REMAIN SENSITIVE TO THE DANGERS OF ANY RAPID BUILD-UP OF ARMAMENTS IN THE REGION.

GSA TIN SALES. TIN ACCOUNTS FOR ALMOST 50 OF BOLIVIAN EXPORTS AND BOLIVIA IS A HIGH COST PRODUCER OF THE COMMODITY, THEREFORE, THE BOLIVIANS ARE PARTICULARLY SENSITIVE TO WORLD TIN PRICES. OVER THE PAST YEAR OR

SO THERE HAS BEEN A SHORTFALL OF TIN SUPPLIES ON THE WORLD MARKET AND PRICES HAVE BEEN HIGH (AROUND $5.00 PER POUND). IN EARLY MARCH THE SO-CALLED UDALL/DECONCINI BILL WAS INTRODUCED IN CONGRESS, PROPOSING TO AUTHORIZE THE SALE OF 45,000 LONG TONS OF TIN FROM THE GSA STRATEGIC STOCKPILE AND USE MUCH OF THE PROCEEDS TO PURCHASE DOMESTIC COPPER FOR THE STOCKPILE. (BOLIVIAN

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YEARLY PRODUCTION OF TIN IS AROUND 30,000 TONS.) THE GOB WAS ANGERED BY THE PROPOSED LEGISLATION, ESPECIALLY AT A TIME WHEN THE ECONOMY WAS HAVING SOME DIFFICULTY AND THE NATION WAS PREPARING FOR ELECTIONS. MORE RECENTLY, THE PROPOSED LEGISLATION HAS BEEN MODIFIED AND IT APPEARS THAT THE FINAL BILL, WHEN IT IS PASSED, WILL DE-LINK TIN AND COPPER AND AUTHORIZE THE SALE OF ABOUT 30,000 LONG TONS OF TIN. DETAILS OF THE MANNER OF DISPOSAL WILL BE LEFT SUBSTANTIALLY TO THE EXECUTIVE BRANCH.

AT THE INTERNATIONAL TIN COUNCIL (ITC) MEETING LAST MONTH, SEVERAL PRODUCERS PROPOSED, AND THE US AGREED, TO ESTABLISH AN ITC WORKING PARTY ON DISPOSALS. THE ITC ESTABLISHED THE WORKING PARTY AND THE US IS A MEMBER OF IT. BOLIVIA OPPOSED THE FORMATION OF THE WORKING PARTY ON THE GROUNDS THAT THE ITC SHOULD OPPOSE DISPOSALS AND THAT FORMATION OF THE WORKING PARTY WAS TACIT ASSENT TO DISPOSALS. BOLIVIA WAS INVITED BUT

REFUSED TO JOIN THE WORKING PARTY.

UPON THE REQUEST OF THE BOLIVIAN AMBASSADOR TO THE OAS, A SPECIAL SESSION OF THE PERMANENT COUNCIL OF THE OAS WAS CALLED FOR MAY L8 AT WHICH TIME THE BOLIVIAN AMBASSADOR PROTESTED THE INTENTION OF THE USG TO DISPOSE CONFIDENTIAL

OF TIN FROM ITS GSA STRATEGIC STOCKPILES.

TALKING POINTS:

THE USG IS COMMITTED BY LAW TO AVOID DISRUPTION OF COMMODITY MARKETS AS A RESULT OF GSA STOCKPILE DISPOSALS AND WE WILL EXERCISE CARE IN THIS REGARD IN THE CASE OF TIN.

WE HAVE AGREED TO HOLD BILATERAL CONSULTATIONS WITH THE GOB BEFORE DETERMINING THE PROGRAM FOR ACTUAL SALES OF GSA TIN.

WE WOULD HOPE THAT BOLIVIA WOULD RECONSIDER ITS POSITION AND AGREE TO JOIN THE ITC WORKING PARTY ON DISPOSALS.

ALTHOUGH THE FINAL OUTCOME OF THE DISPOSAL BILL NOW BEFORE CONGRESS CANNOT BE PREDICTED, IT APPEARS THAT THE AMOUNT OF TIN TO BE SOLD WILL BE LESS THAN PROPOSED BY REPRESENTATIVE UDALL AND SENATOR DECONCINI, AND THAT PURCHASES OF COPPER WILL NOT BE DIRECTLY LINKED TO SALES OF TIN.

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CORRIDOR TO THE SEA. BOLIVIA AND PERU LOST COASTAL
TERRITORY TO CHILE IN THE WAR OF THE PACIFIC 99 YEARS
AGO. ACCORDING TO A PROTOCOL OF THE PEACE TREATY
BETWEEN PERU AND CHILE, BEFORE CHILE CAN TRANSFER ANY
TERRITORY IT WON FROM PERU TO A THIRD PARTY, IT MUST
HAVE PERUVIAN APPROVAL. BOLIVIA SEEKS A CORRIDOR
THROUGH FORMER PERUVIAN LAND. INTERMITTENT CONVERSATIONS
HAVE TAKEN PLACE OVER THE YEARS AMONG THE THREE COUNTRIES
AND PROPOSALS AND COUNTER PROPOSALS HAVE BEEN MADE.
BOLIVIA MADE A SPECIAL ATTEMPT TO MOVE THE ISSUE LAST
YEAR WITH LITTLE SUCCESS, EVEN THOUGH THE PRESIDENTS OF
THE THREE COUNTRIES MET IN WASHINGTON TO DISCUSS THE
MATTER DURING THE SIGNING OF THE PANAMA CANAL TREATIES.
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PRESIDENT BANZER, THROUGH A LETTER TO PRESIDENT CARTER,
HAS ASKED FOR USG ASSISTANCE IN FINDING A RESOLUTION TO
BOLIVIA'S UNFULFILLED ASPIRATIONS. SO FAR THE US HAS
BEEN UNWILLING TO BECOME DIRECTLY INVOLVED. WE ENCOURAGED
THE THREE PRESIDENTS TO TALK IN WASHINGTON LAST SEPTEMBER

AND WE HAVE TOLD THE BOLIVIANS THAT WE SUPPORT NEGO-
TIATIONS THAT WOULD LEAD TO A SOLUTION SATISFACTORY TO
ALL THREE COUNTRIES INVOLVED. IN MARCH, BOLIVIA ONCE
AGAIN BROKE RELATIONS WITH CHILE OVER LACK OF PROGRESS
ON THE CORRIDOR ISSUE.

TALKING POINTS

WE REGARD THE MATTER OF A BOLIVIAN CORRIDOR AS AN
IMPORTANT ISSUE AND HOPE THAT CONDITIONS MAY SOON
PERMIT RENEWED CONVERSATIONS AMONG THE THREE COUNTRIES
CONCERNED.

END QUOTE. VANCE

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